

Message Text

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12/42

ACTION EA-14

INFO OCT-01 ADP-00 SAJ-01 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-15 AID-20 IGA-02 SR-02 ORM-03 IO-13 DPW-01 RSR-01

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P 291015Z AUG 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 6351

INFO AMEMBASSY SAIGON

C O N F I D E N T I A L TOKYO 11081

C O R R E C T E D C O P Y (PARA. 3.)

E.O. 11652: GDS

TAGS: EAID, JA, VS

SUBJ: JAPANESE AID TO SOUTH VIETNAM

REF: TOKYO 10747

SUMMARY: GOJ MOVING TO PROVIDE \$50 MILLION AID TO SOUTH VIETNAM, BUT DISBURSEMENTS WILL BE LATER THAN ANTICIPATED. TWENTY MILLION DOLLARS FOR GRANTS WILL BE REQUESTED IN SUPPLEMENTARY BUDGET LATE NOVEMBER. THIRTY MILLION DOLLARS FOR LOANS NOW AVAILABLE, BUT LOANS DISBURSEMENT WILL AWAIT DIET APPROVAL OF FUNDS FOR GRANTS. GOJ HAS INFORMED GVN THAT \$50 MILLION AID WILL BE PROVIDED. END SUMMARY.

1. DURING CONVERSATION AUG 28 WITH KIKUCHI, DEPUTY DIRECTOR GENERAL, ECONOMIC COOPERATION BUREAU, FONOFF, E/COUNS ASKED ABOUT STATUS OF \$50 MILLION GOJ AID TO SOUTH VIETNAM. KIKUCHI EXPLAINED THAT ALTHOUGH AMOUNT OF PROMISED GOJ AID (\$50 MILLION) HAD BEEN MADE PUBLIC, BREAK-DOWN OF THIS AMOUNT INTO \$30 MILLION FOR LOANS AND \$20 MILLION FOR GRANTS HAD NOT.

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MILLION FOR GRANTS HAD NOT.

2. SINCE US-GOJ DISCUSSIONS IN JULY ON INDOCHINA AID, KIKUCHI CONTINUED, THERE HAS BEEN ONE UNEXPECTED DEVELOPMENT. FONOFF HAD ANTICIPATED THAT \$20 MILLION IN GRANTS WOULD COME FROM GOJ CONTINGENCY FUND. PM TANAKA DECIDED, HOWEVER, THAT MONEY FOR GRANTS SHOULD BE REQUESTED IN SUPPLEMENTARY BUDGET. THUS, WHEREAS CONTINGENCY FUNDS COULD HAVE BEEN DISBURSED ALMOST IMMEDIATELY, SUPPLEMENTARY BUDGET REQUEST WILL BE SUBMITTED TO AN EXTRAORDINARY SESSION OF THE DIET IN LATE NOVEMBER, AND DISBURSEMENTS CONSEQUENTLY WILL BE LATER THAN HAD BEEN EXPECTED. THIRTY MILLION DOLLARS IN LOANS FROM OVERSEAS ECONOMIC COOPERATION FUND IS NOW AVAILABLE. HOWEVER, AS GOJ FEELS THAT GRANT ASSISTANCE IS FOR MORE URGENT PURPOSES THAN LOANS, AND AS GOJ WOULD BE HARD PRESSED TO JUSTIFY IN DIET MAKING LESS URGENT LOANS BEFORE MORE URGENT GRANTS, THE LOANS WILL ALSO BE MADE LATER THAN HAD BEEN EXPECTED.

3. KIKUCHI SAID THAT \$30 MILLION IN LOANS WILL BE USED ALMOST EXCLUSIVELY FOR COMMODITIES. SUCH USE, AND USE OF GRANTS, WILL BE SUBJECT TO AGREEMENTS BETWEEN GOJ AND GVN. ALTHOUGH AGREEMENTS WILL PROBABLY BE CONCLUDED QTE MORE OR LESS SECRETLY UNQTE BEFORE DIET HAS APPROVED NECESSARY FUNDS, NO AGREEMENT CAN BE ANNOUNCED PRIOR TO DIET APPROVAL. AS THE SITUATION IS STILL FLUID, KIKUCHI SAID, THE GOJ HAS NOT YET SENT INSTRUCTIONS TO ITS AMBASSADOR IN SAIGON CONCERNING THESE AGREEMENTS.

4. E/COUNS OBSERVED THAT SUBMISSION OF SUPPLEMENTARY BUDGET REQUEST LATE NOVEMBER WOULD MEAN THAT FUNDS WILL NOT ENTER PIPELINE TO RVN UNTIL AROUND END OF YEAR AT EARLIEST. KIKUCHI AGREED, BUT NOTED THAT, AS AID ASSISTANT ADMINISTRATOR POINTED OUT DURING BILATERAL CONSULTATIONS, IF GVN KNOWS THAT FUNDS ARE FORTHCOMING, GVN CAN TAKE THEM INTO ACCOUNT FOR PLANNING PURPOSES. GOJ HAS INFORMED PRESIDENT THIEU THAT GOJ WILL PROVIDE \$50 MILLION.

5. COMMENT: EMBASSY NOTES THAT GOJ USE OF CONTINGENCY FUND WAS DISCUSSED AT US-GOJ CONSULTATIONS IN JULY, AT WHICH GOJ OFFICIALS

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EXPLAINED THAT CONTINGENCY FUNDS NORMALLY USED ONLY WHEN DIET IS NOT IN SESSION. SINCE GOJ ANNOUNCED \$50 MILLION COMMITMENT WHILE DIET IN SESSION, PRIME MINISTER PRESUMABLY FELT HE COULD NOT JUSTIFY USE OF CONTINGENCY FUND AND THUS NEEDED TO REQUEST GRANT FUNDS IN SUPPLEMENTAL APPROPRIATION. ALTHOUGH IT IS OBVIOUS THAT THERE HAS BEEN SOME SLIPPAGE REGARDING TIME GOJ AID WILL ACTUALLY BEGIN TO BE DISBURSED, I.E. FROM LATE SEPTEMBER UNTIL LATE IN YEAR, THERE IS NO INDICATION THAT GOJ IS BACKING AWAY FROM COMMITMENT OF PROVIDING

\$50 MILLION. END COMMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973TOKYO11081
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: RR
Errors: N/A
Film Number: n/a
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973087/aaaaaeqa.tel
Line Count: 117
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 TOKYO 10747
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 07 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Nov-2001 by martinml>; APPROVED <11-Dec-2001 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JAPANESE AID TO SOUTH VIETNAM
TAGS: EAID, JA
To: SECSTATE WASHDC SAIGON
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005